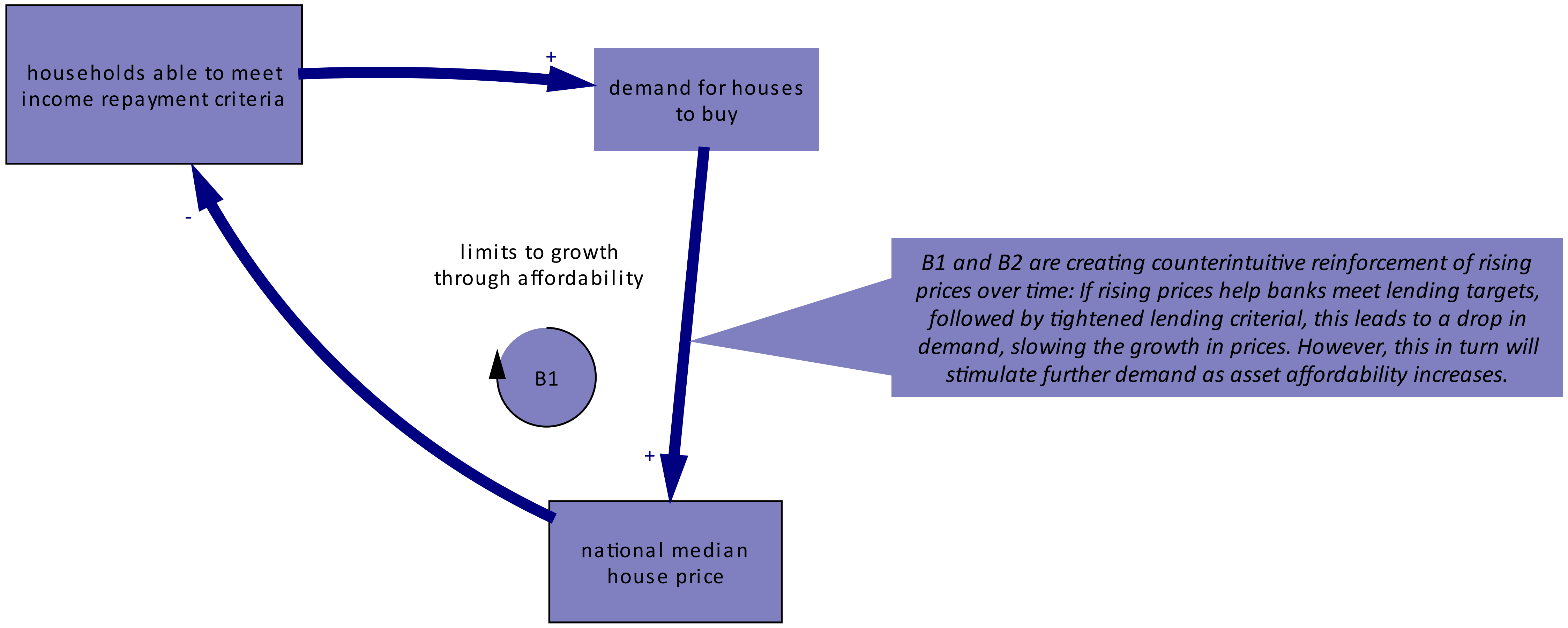
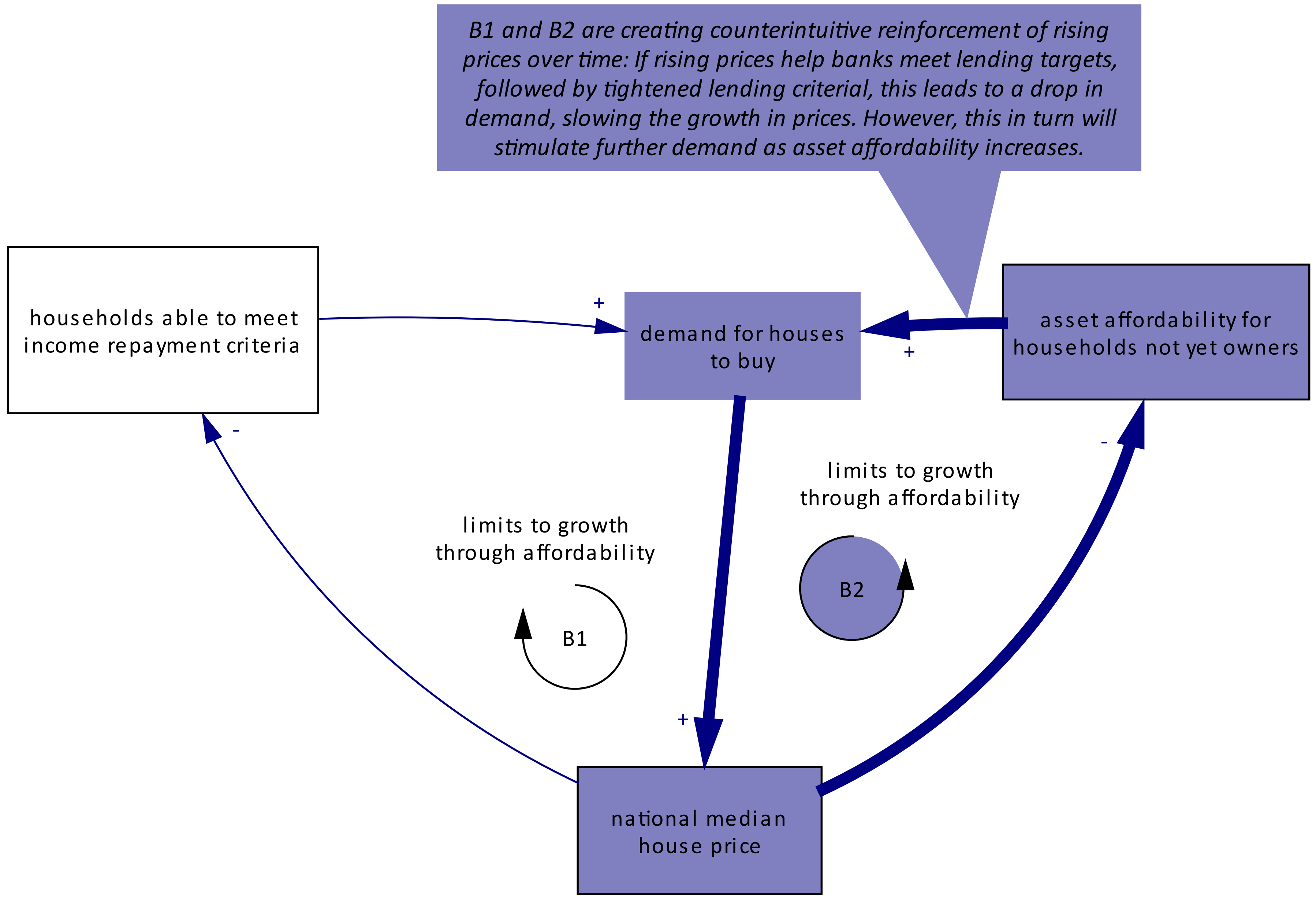
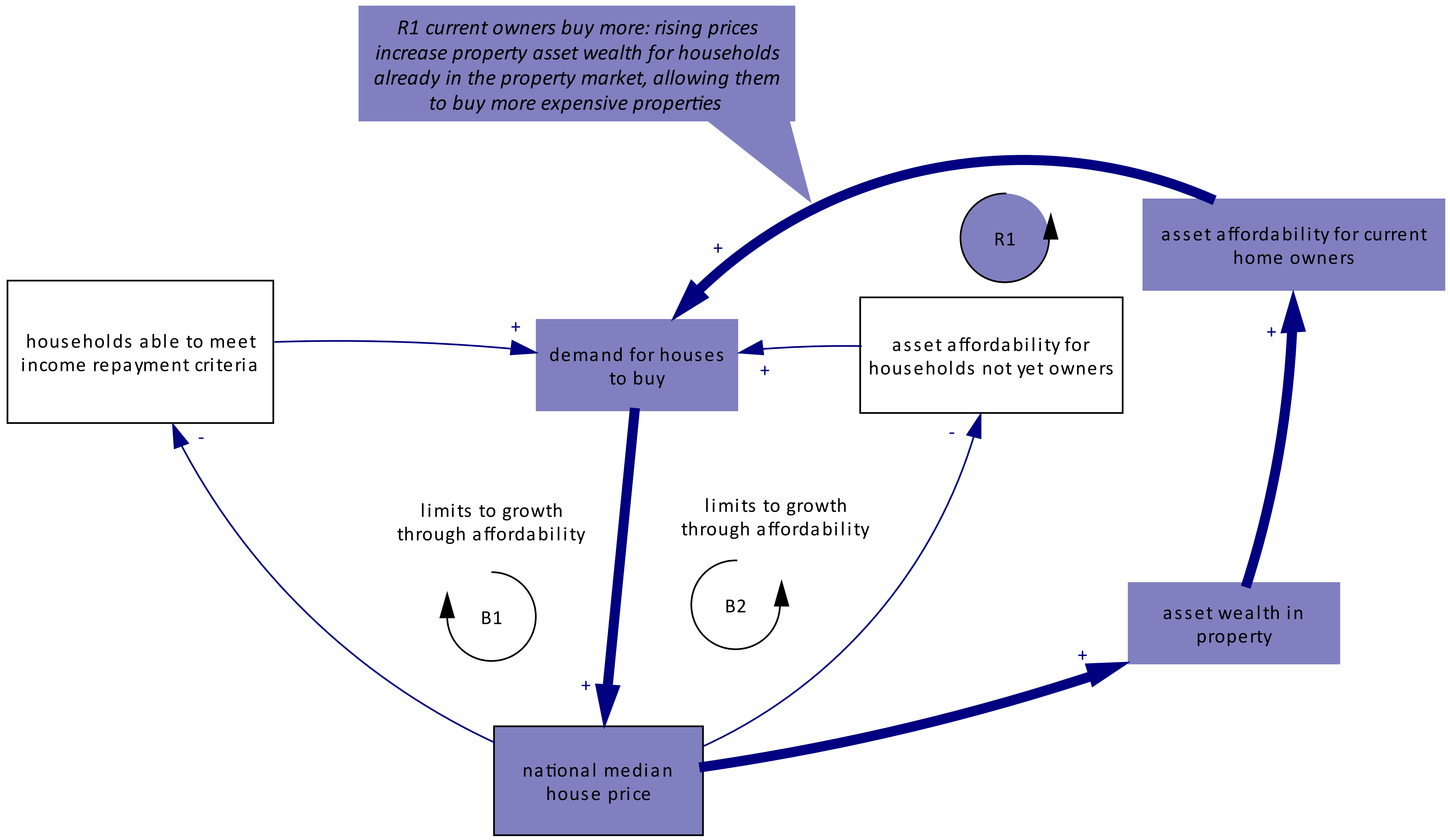
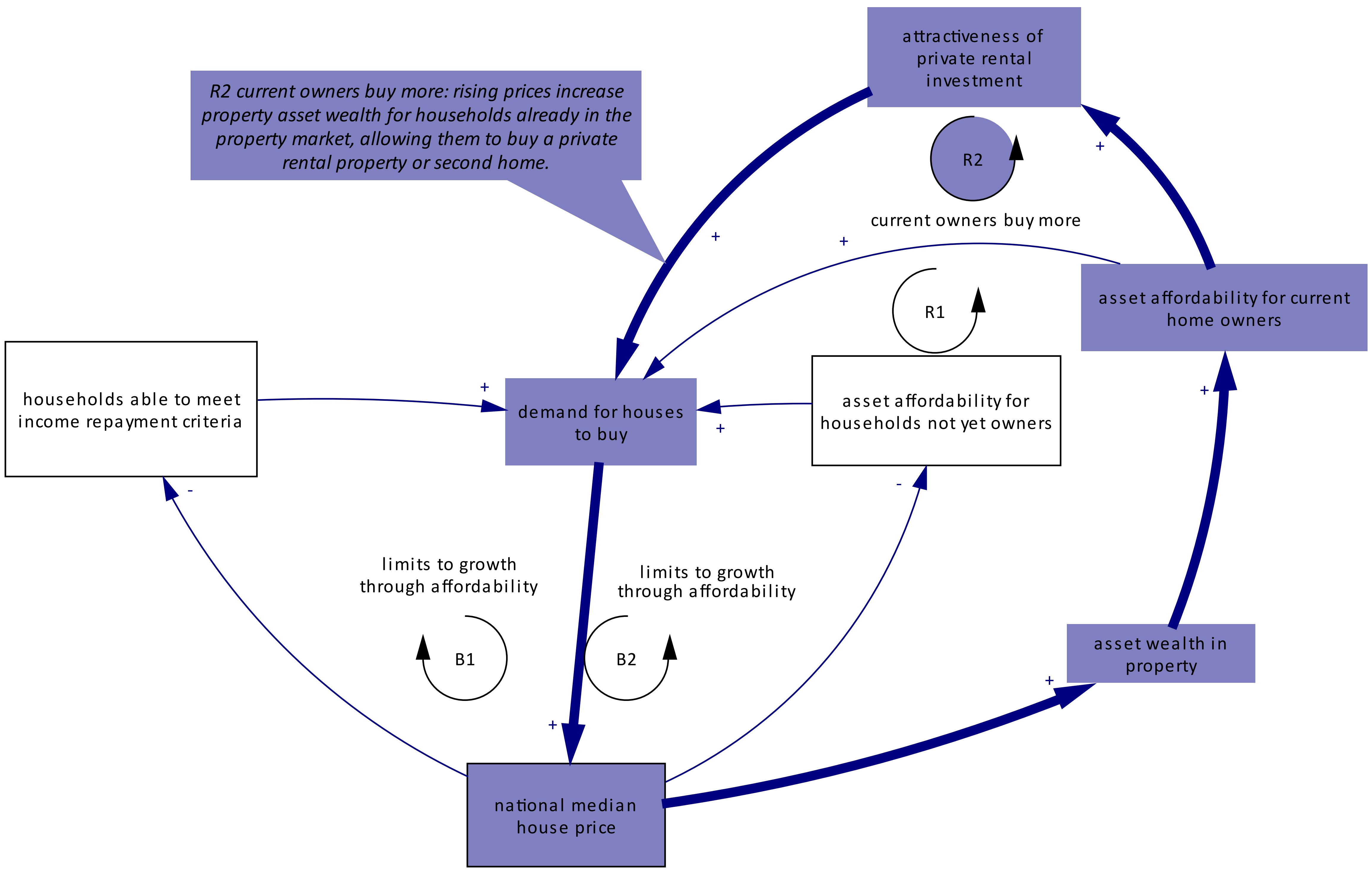
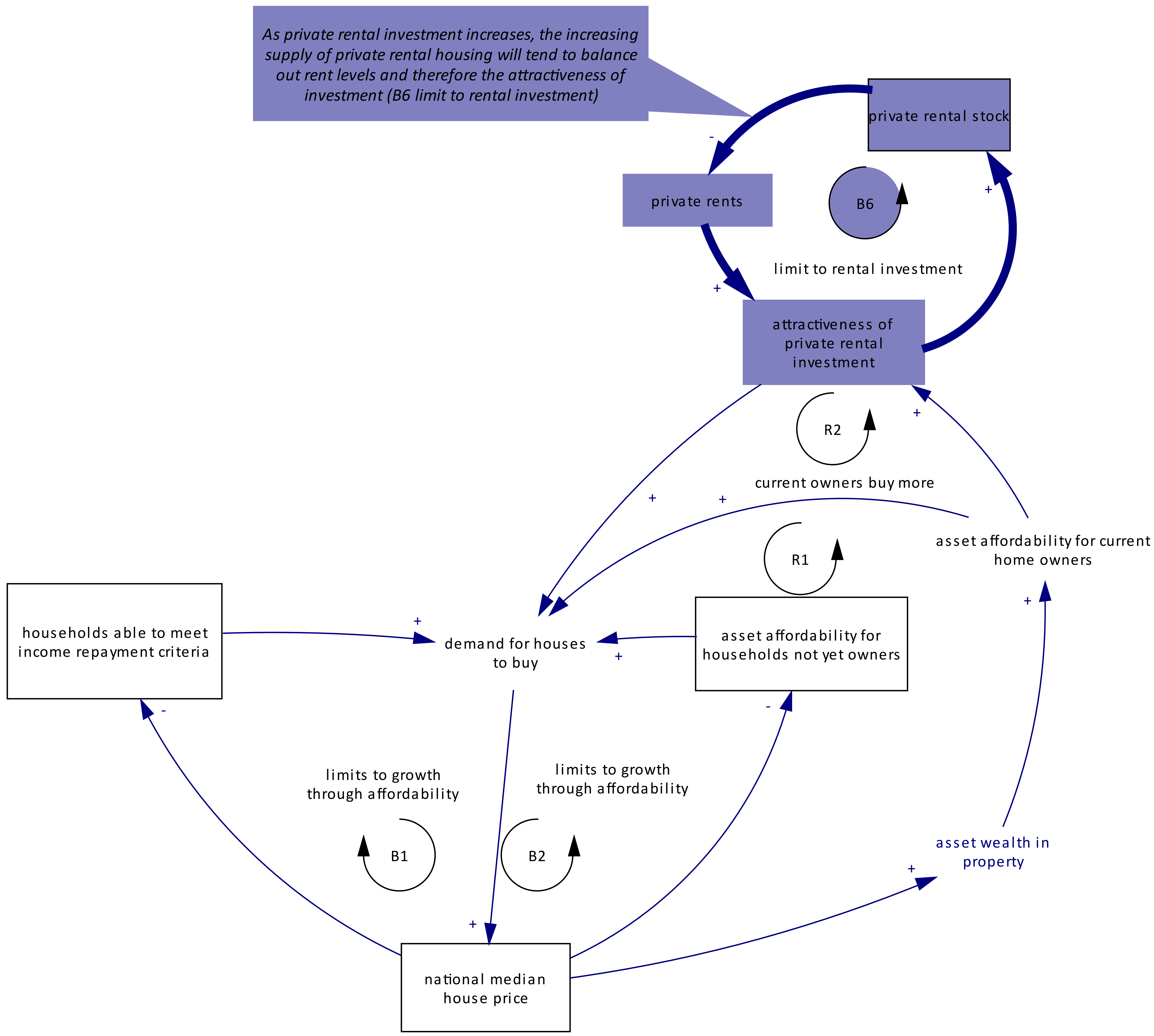

households able to meet income repayment criteria
+
demand for houses to buy
-
limits to growth through affordability
B1
+
national median house price
B1 and B2 are creating counterintuitive reinforcement of rising prices over time: If rising prices help banks meet lending targets, followed by tightened lending criterial, this leads to a drop in demand, slowing the growth in prices. However, this in turn will stimulate further demand as asset affordability increases.

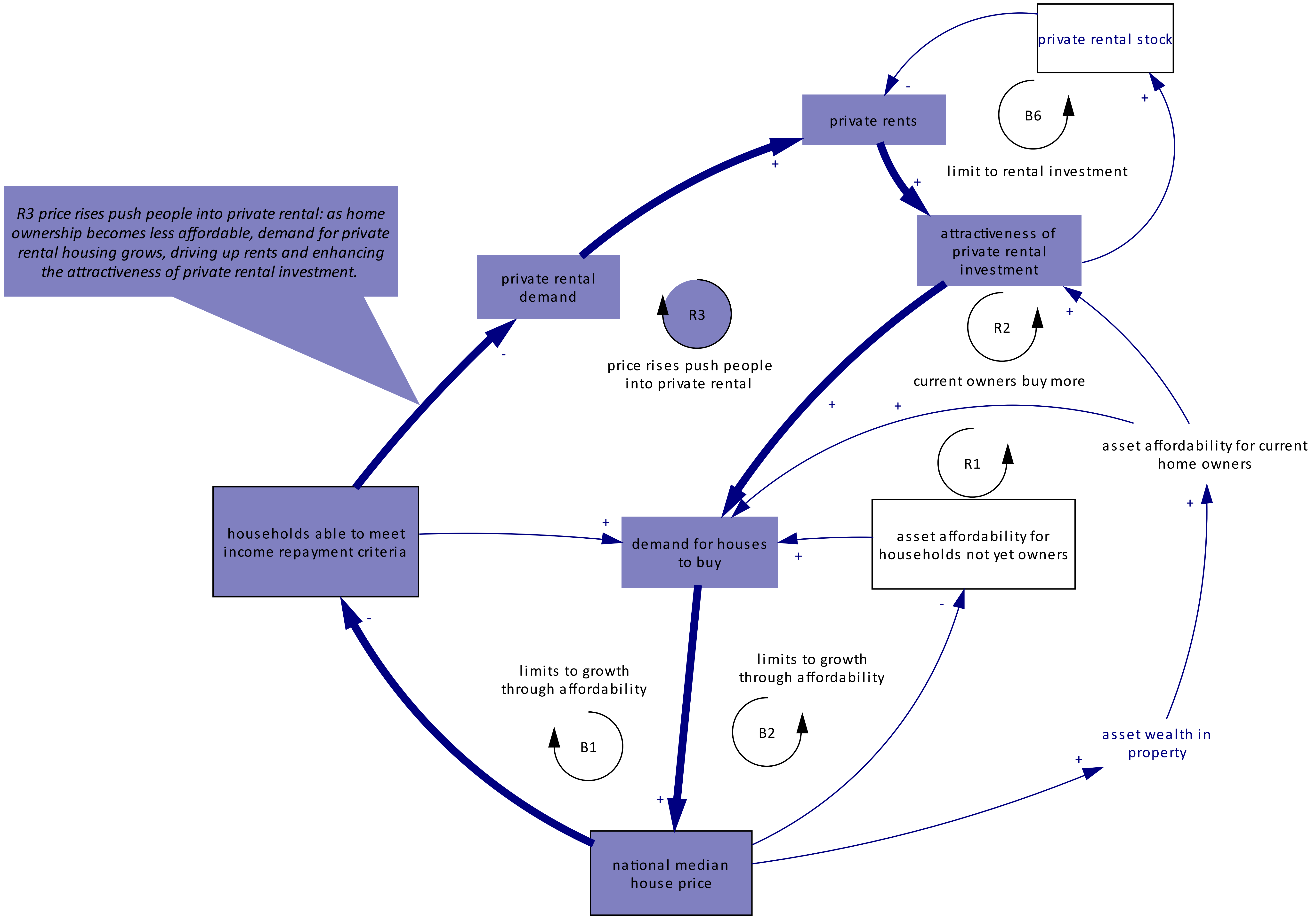

B1 and B2 are creating counterintuitive reinforcement of rising prices over time: If rising prices help banks meet lending targets, followed by tightened lending criterial, this leads to a drop in demand, slowing the growth in prices. However, this in turn will stimulate further demand as asset affordability increases.
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
limits to growth through affordability
B1
limits to growth through affordability
B2
national median house price
+
+
+
-
-



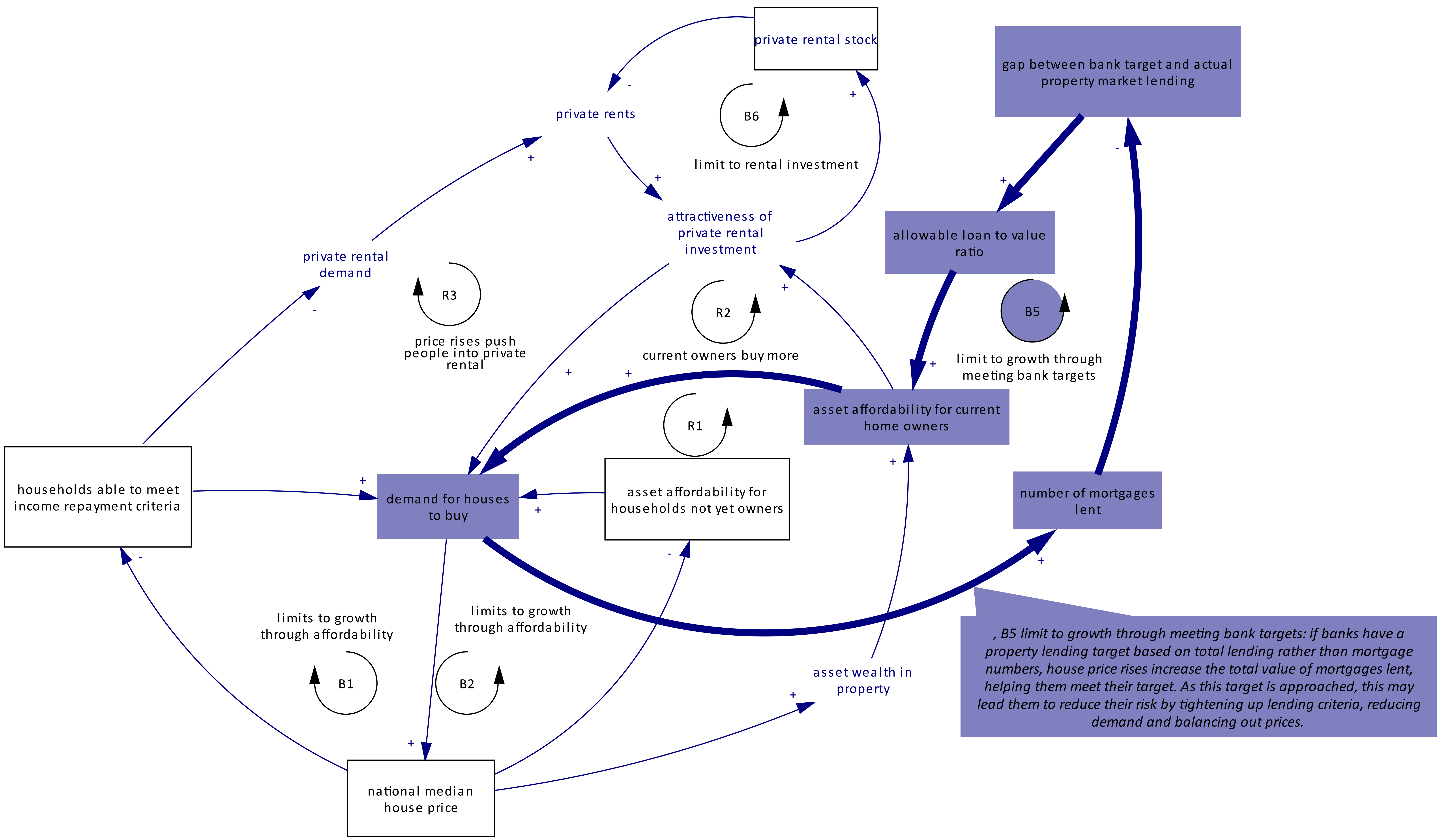
R1 current owners buy more: rising prices increase property asset wealth for households already in the property market, allowing them to buy more expensive properties
R1
asset affordability for current home owners
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
limits to growth through affordability
B1
limits to growth through affordability
B2
asset wealth in property
national median house price
+
+
+
-
-
+
+
+


R2 current owners buy more: rising prices increase property asset wealth for households already in the property market, allowing them to buy a private rental property or second home.
attractiveness of private rental investment
R2
current owners buy more
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
limits to growth through affordability
B1
limits to growth through affordability
B2
asset wealth in property
national median house price
+
-

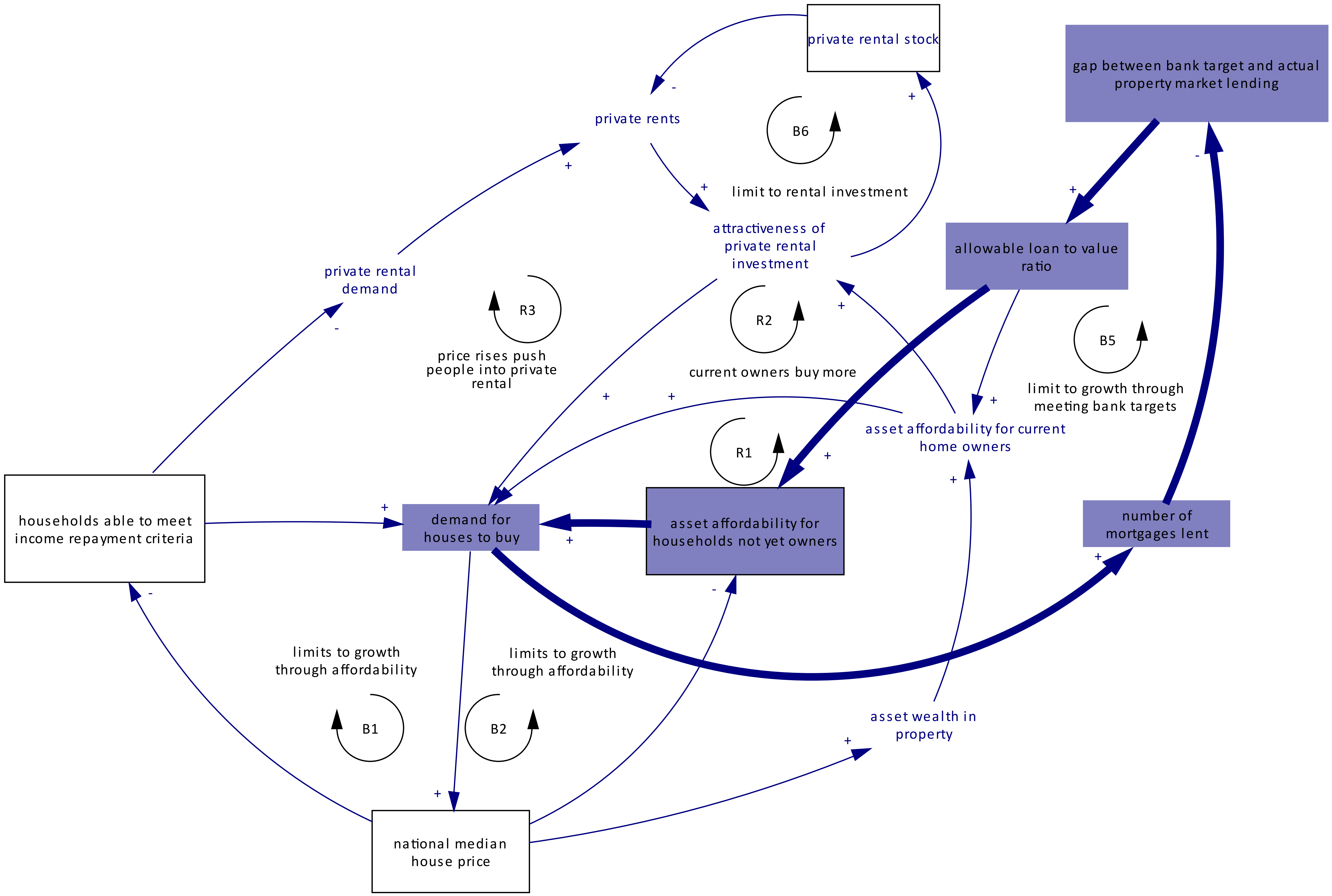

As private rental investment increases, the increasing supply of private rental housing will tend to balance out rent levels and therefore the attractiveness of investment (B6 limit to rental investment)
private rental stock
private rents
B6
limit to rental investment
attractiveness of private rental investment
R2
current owners buy more
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
limits to growth through affordability
limits to growth through affordability
B1
B2
asset wealth in property
national median house price



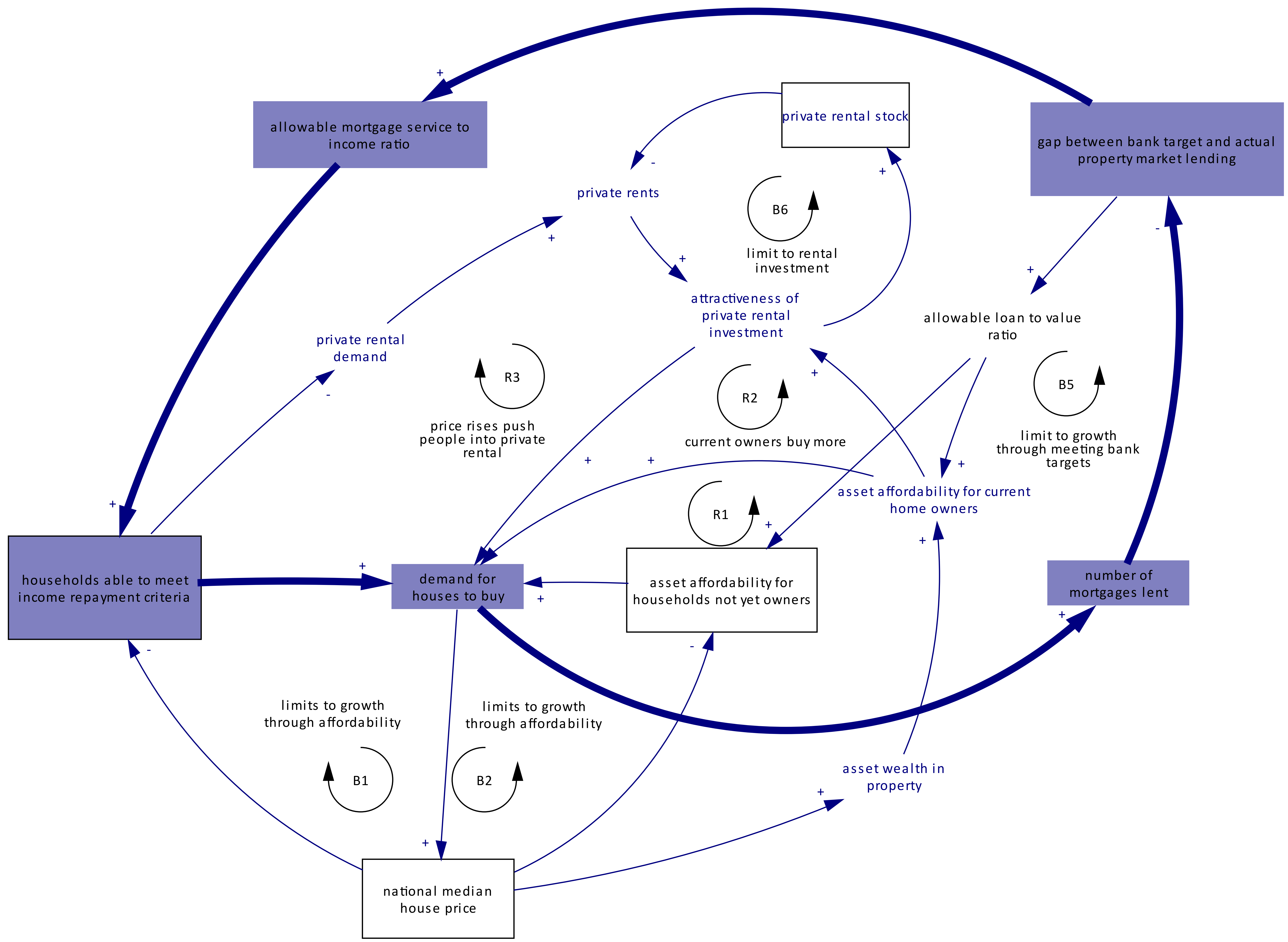
R3 price rises push people into private rental: as home ownership becomes less affordable, demand for private rental housing grows, driving up rents and enhancing the attractiveness of private rental investment.
private rental stock
private rents
B6
limit to rental investment
attractiveness of private rental investment
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
limits to growth through affordability
B1
limits to growth through affordability
B2
asset wealth in property
national median house price



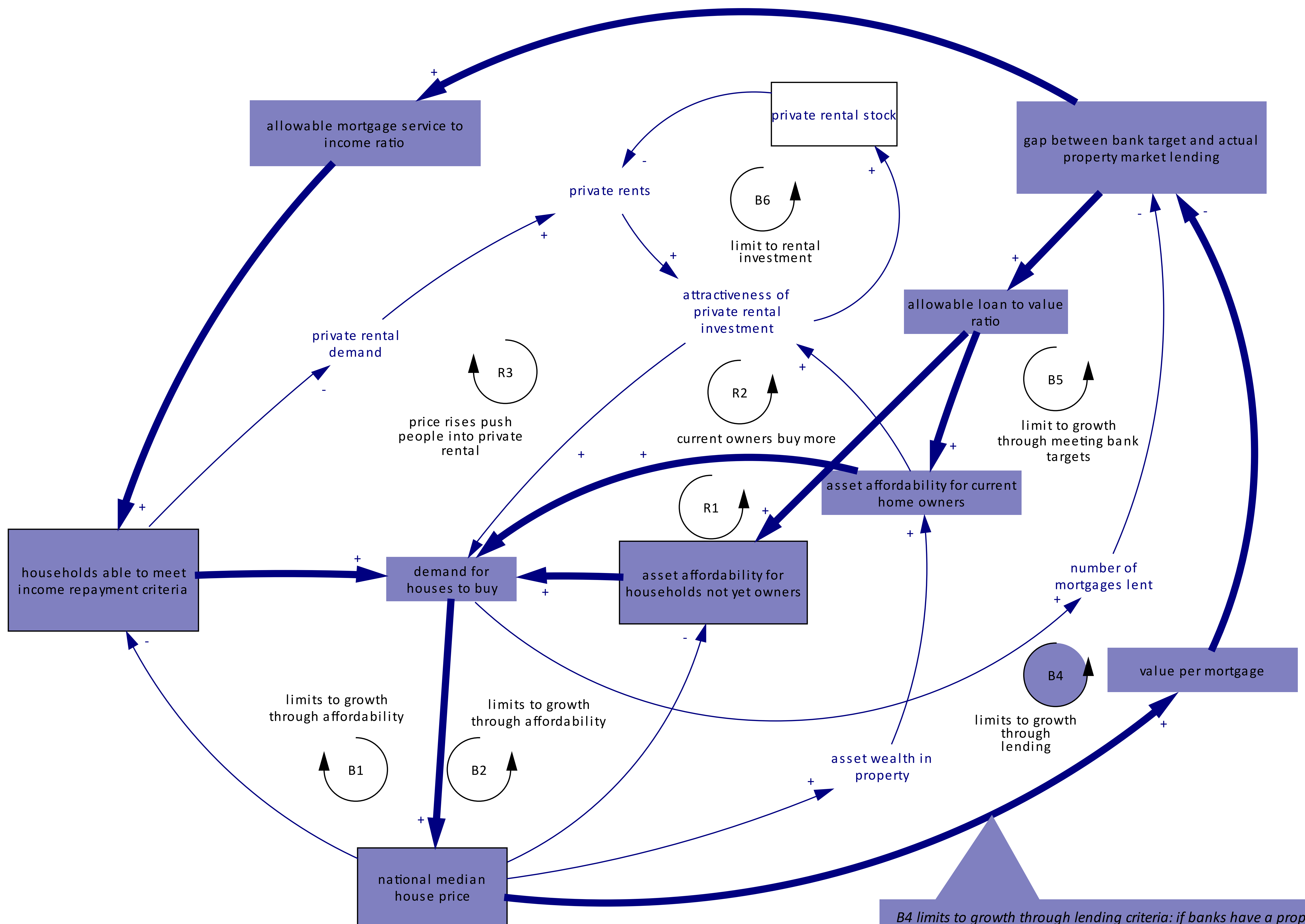
private rental stock
gap between bank target and actual property market lending
private rents
B6
limit to rental investment
attractiveness of private rental investment
allowable loan to value ratio
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
limit to growth through meeting bank targets
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
limits to growth through affordability
limits to growth through affordability
B1
B2
asset wealth in property
national median house price
, B5 limit to growth through meeting bank targets: if banks have a property lending target based on total lending rather than mortgage numbers, house price rises increase the total value of mortgages lent, helping them meet their target. As this target is approached, this may lead them to reduce their risk by tightening up lending criteria, reducing demand and balancing out prices.



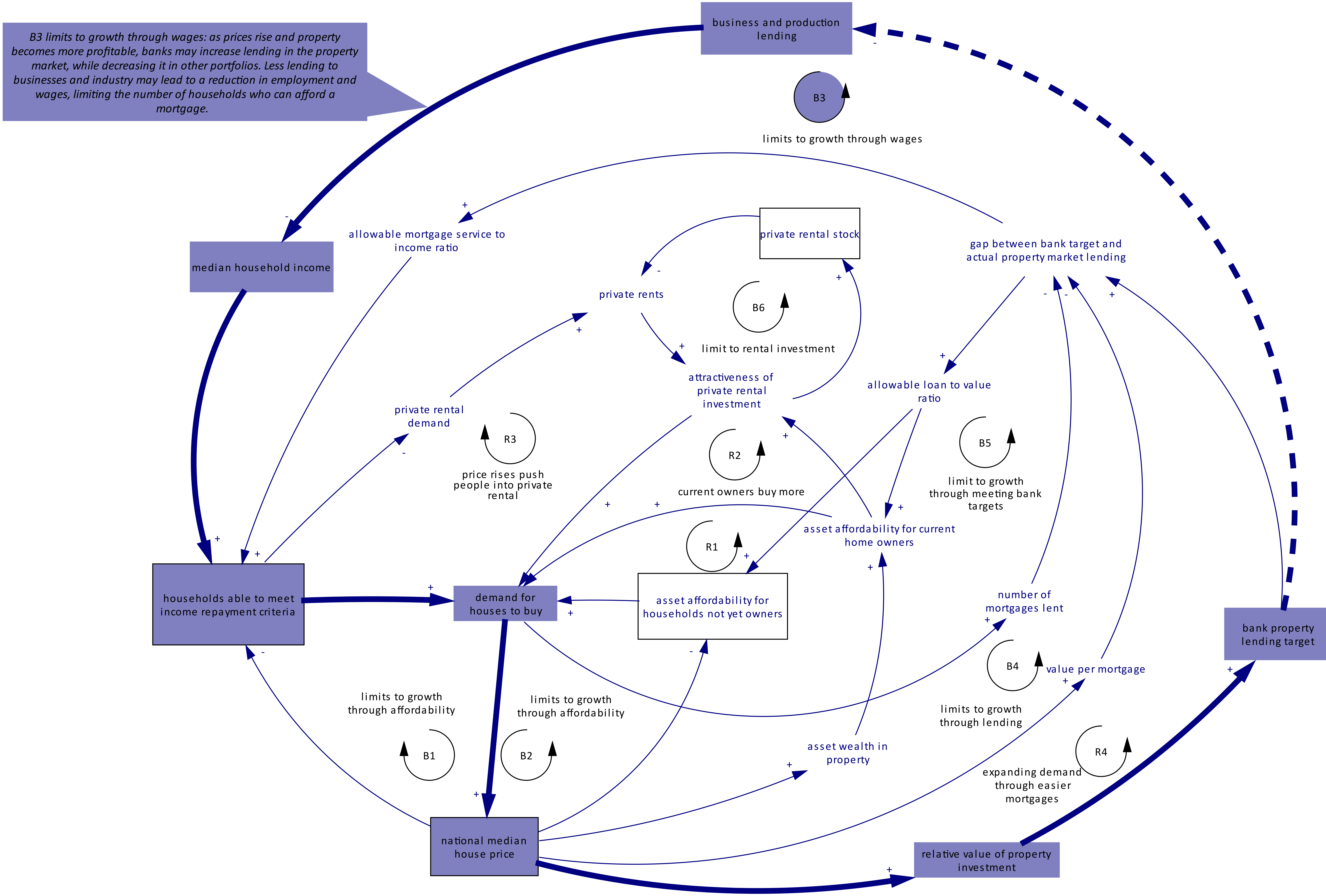
private rental stock
gap between bank target and actual property market lending
private rents
B6
limit to rental investment
attractiveness of private rental investment
allowable loan to value ratio
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
limit to growth through meeting bank targets
R1
asset affordability for current home owners
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
limits to growth through affordability
limits to growth through affordability
B1
B2
asset wealth in property
national median house price

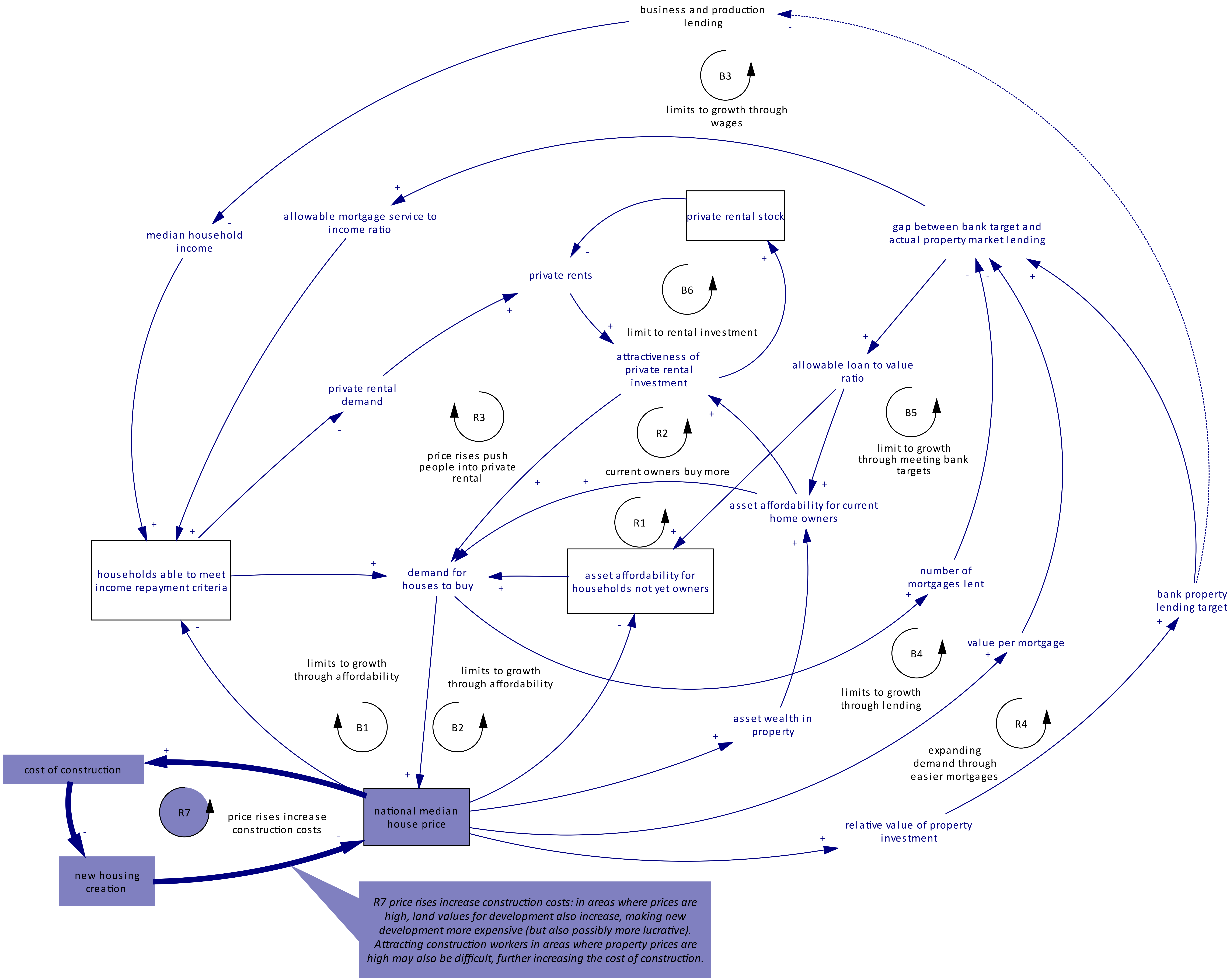


allowable mortgage service to income ratio
gap between bank target and actual property market lending
private rental stock
private rents
B6
limit to rental investment
attractiveness of private rental investment
allowable loan to value ratio
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
limit to growth through meeting bank targets
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
limits to growth through affordability
B1
limits to growth through affordability
B2
asset wealth in property
national median house price

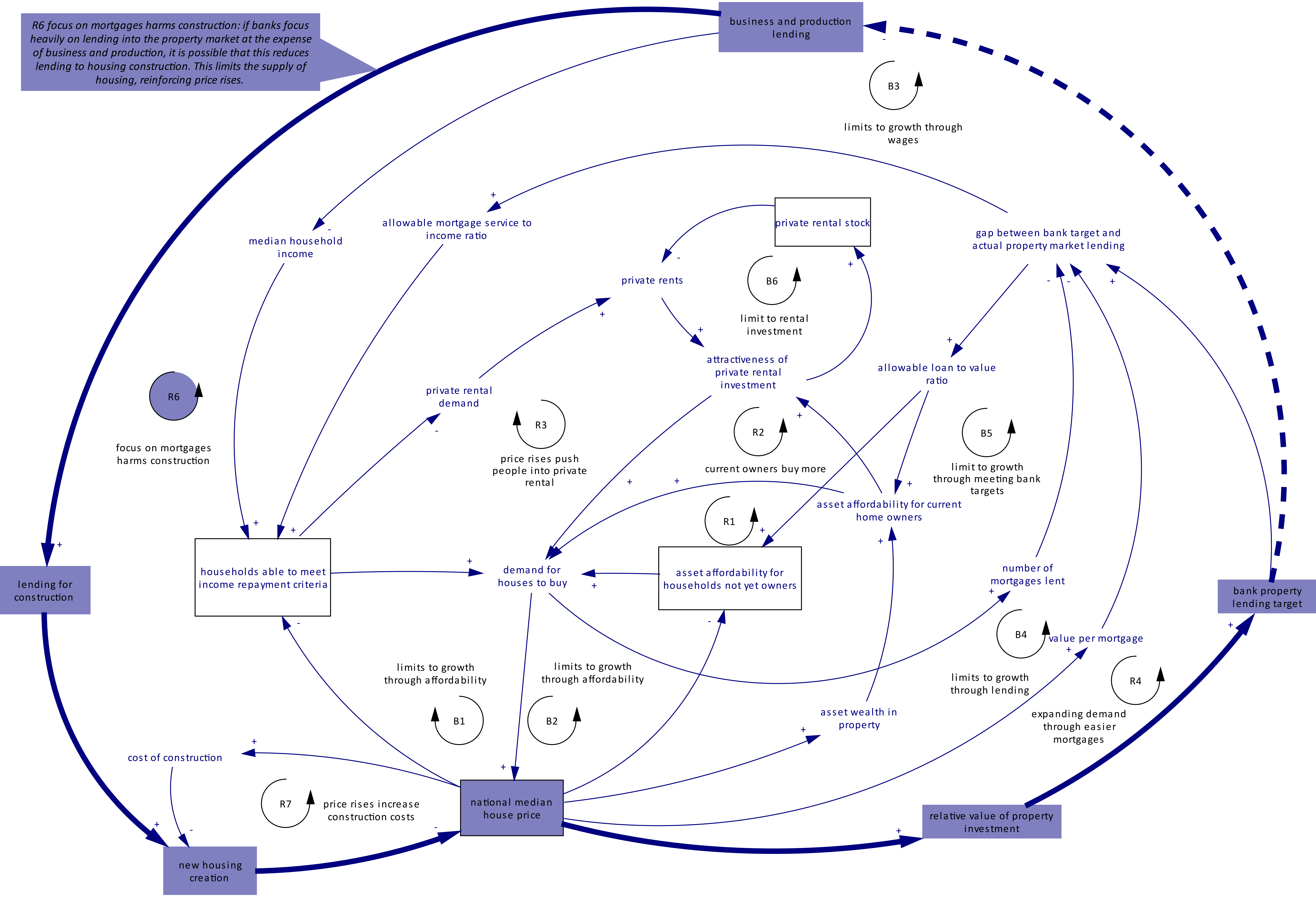


B4 limits to growth through lending criteria: if banks have a property lending target based on total lending rather than mortgage numbers, house price rises increase the total value of mortgages lent, helping them meet their target. As this target is approached, this may lead them to reduce their risk by tightening up lending criteria, reducing demand and balancing out prices

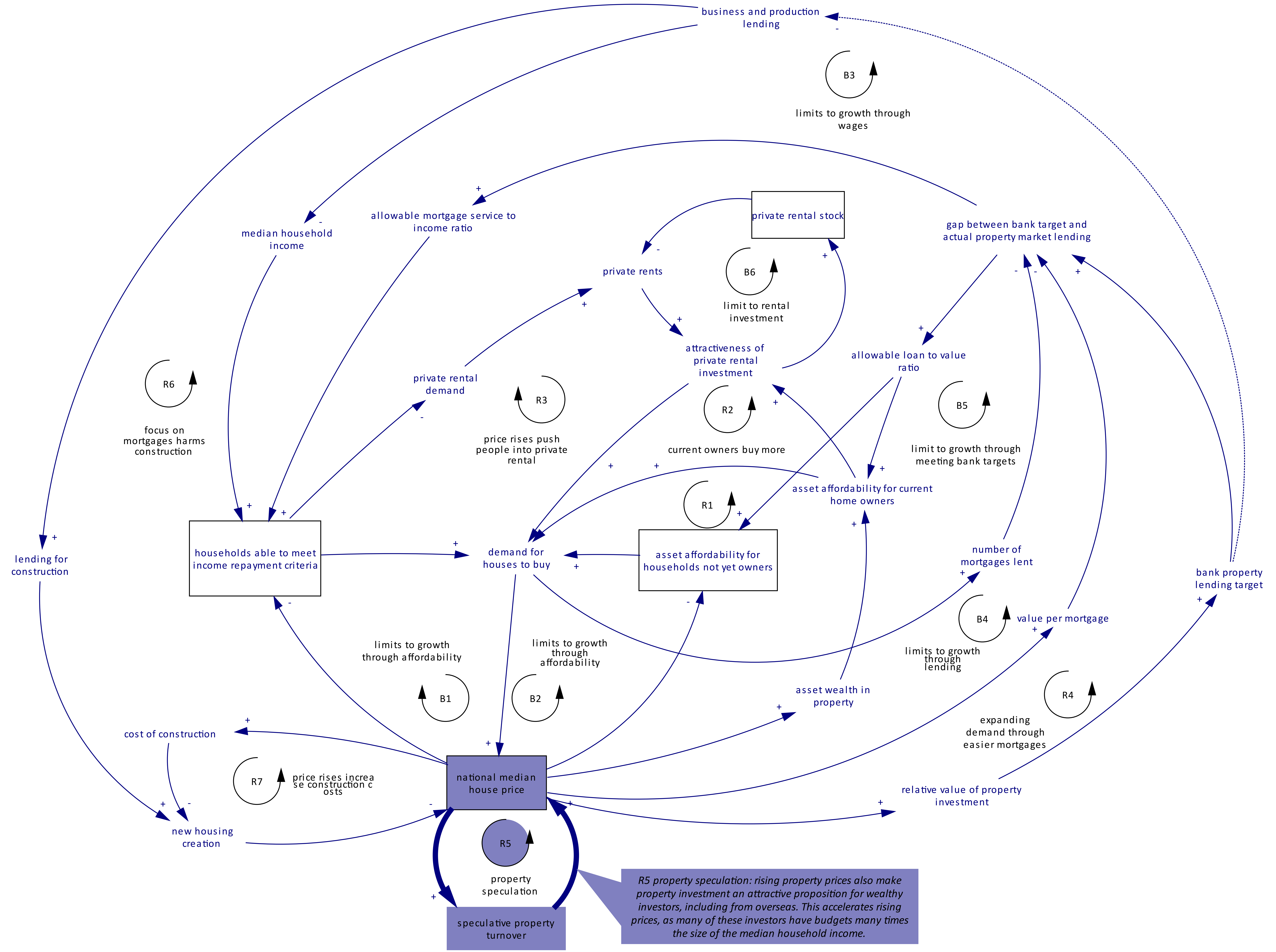

B3 limits to growth through wages: as prices rise and property becomes more profitable, banks may increase lending in the property market, while decreasing it in other portfolios. Less lending to businesses and industry may lead to a reduction in employment and wages, limiting the number of households who can afford a mortgage.
business and production lending
B3
limits to growth through wages
median household income
allowable mortgage service to income ratio
private rental stock
private rents
B6
limit to rental investment
gap between bank target and actual property market lending
attractiveness of private rental investment
allowable loan to value ratio
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
limit to growth through meeting bank targets
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
bank property lending target
B4
value per mortgage
limits to growth through affordability
limits to growth through affordability
limits to growth through lending
B1
B2
asset wealth in property
R4
expanding demand through easier mortgages
national median house price
relative value of property investment

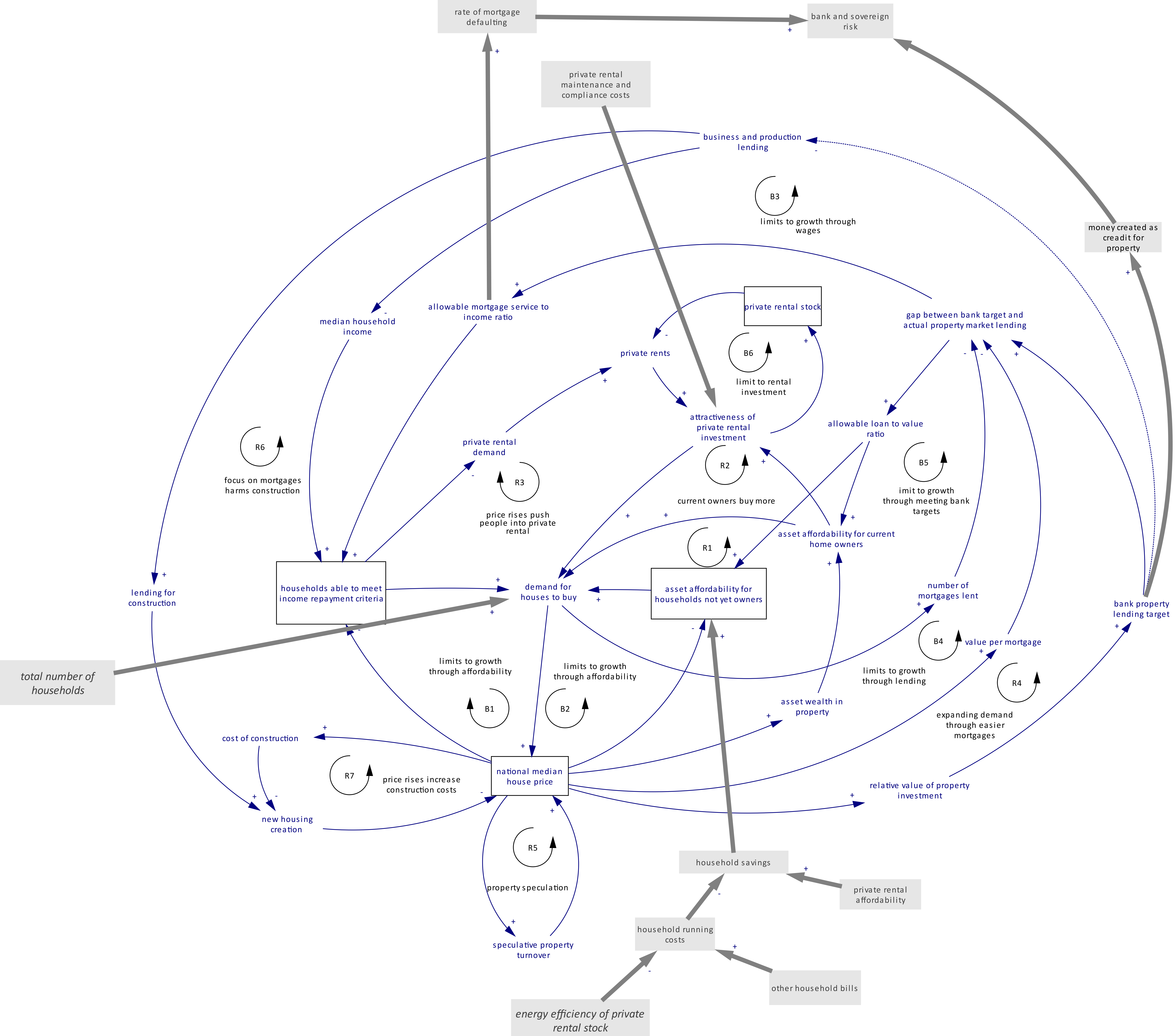


business and production lending
B3
limits to growth through wages
median household income
allowable mortgage service to income ratio
private rental stock
gap between bank target and actual property market lending
private rents
B6
limit to rental investment
attractiveness of private rental investment
allowable loan to value ratio
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
limit to growth through meeting bank targets
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
bank property lending target
value per mortgage
limits to growth through affordability
limits to growth through affordability
B4
limits to growth through lending
B1
B2
asset wealth in property
R4
expanding demand through easier mortgages
cost of construction
R7
price rises increase construction costs
national median house price
new housing creation
relative value of property investment
R7 price rises increase construction costs: in areas where prices are high, land values for development also increase, making new development more expensive (but also possibly more lucrative). Attracting construction workers in areas where property prices are high may also be difficult, further increasing the cost of construction.



R6 focus on mortgages harms construction: if banks focus heavily on lending into the property market at the expense of business and production, it is possible that this reduces lending to housing construction. This limits the supply of housing, reinforcing price rises.
business and production lending
B3
limits to growth through wages
median household income
allowable mortgage service to income ratio
private rental stock
gap between bank target and actual property market lending
private rents
B6
limit to rental investment
attractiveness of private rental investment
allowable loan to value ratio
R6
focus on mortgages harms construction
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
limit to growth through meeting bank targets
asset affordability for current home owners
R1
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
lending for construction
bank property lending target
B4
value per mortgage
limits to growth through lending
R4
expanding demand through easier mortgages
limits to growth through affordability
B1
limits to growth through affordability
B2
asset wealth in property
cost of construction
R7
price rises increase construction costs
national median house price
relative value of property investment
new housing creation


business and production lending
B3
limits to growth through wages
allowable mortgage service to income ratio
median household income
private rental stock
gap between bank target and actual property market lending
private rents
B6
limit to rental investment
attractiveness of private rental investment
allowable loan to value ratio
R6
focus on mortgages harms construction
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
limit to growth through meeting bank targets
asset affordability for current home owners
R1
lending for construction
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
bank property lending target
B4
value per mortgage
limits to growth through lending
limits to growth through affordability
limits to growth through affordability
B1
B2
asset wealth in property
R4
expanding demand through easier mortgages
cost of construction
R7
price rises increase construction costs
national median house price
relative value of property investment
new housing creation
R5
property speculation
speculative property turnover
R5 property speculation: rising property prices also make property investment an attractive proposition for wealthy investors, including from overseas. This accelerates rising prices, as many of these investors have budgets many times the size of the median household income.



rate of mortgage defaulting
bank and sovereign risk
private rental maintenance and compliance costs
business and production lending
B3
limits to growth through wages
money created as creadit for property
median household income
allowable mortgage service to income ratio
private rental stock
gap between bank target and actual property market lending
private rents
B6
limit to rental investment
attractiveness of private rental investment
allowable loan to value ratio
R6
focus on mortgages harms construction
private rental demand
R3
price rises push people into private rental
R2
current owners buy more
B5
imit to growth through meeting bank targets
R1
asset affordability for current home owners
households able to meet income repayment criteria
demand for houses to buy
asset affordability for households not yet owners
number of mortgages lent
bank property lending target
lending for construction
B4
value per mortgage
total number of households
limits to growth through affordability
limits to growth through affordability
limits to growth through lending
R4
B1
B2
asset wealth in property
expanding demand through easier mortgages
cost of construction
R7
price rises increase construction costs
national median house price
relative value of property investment
new housing creation
R5
property speculation
household savings
private rental affordability
speculative property turnover
household running costs
other household bills
energy efficiency of private rental stock